

KEOKUK COUNTY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

KEOKUK COUNTY, IOWA

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KEOKUK COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Denny	Board of Supervisors	January, 2007
Michael Berg	Board of Supervisors	January, 2009
Ernie Greiner	Board of Supervisors	January, 2007
Christy Bates	County Auditor	January, 2009
Christine Kleinmeyer	County Treasurer	January, 2007
Nancy T. Snakenberg	County Recorder	January, 2007
Ron George	County Sheriff	January, 2009
John E. Schroeder	County Attorney	January, 2007
Drew Sanders	County Assessor	January, 2010



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge"

Kenneth E. Crosser CPA
April D. Hammack CPA
Michael J. Podliska, CPA

David W. Goodman CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT

To the Officials of Keokuk County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Keokuk County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Keokuk County, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Keokuk County, Iowa at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2006 on our consideration of Keokuk County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 8 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keokuk County, Iowa's basic financial statements. We previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2004 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
October 5, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Keokuk County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- The County's Governmental funds' revenues increased \$577,162 from fiscal 2005 to fiscal 2006. Intergovernmental revenues decreased \$394,768 and property and other county tax increased \$728,250.
- The County's Governmental funds' expenditures totaled \$759,726 less in fiscal 2006 than in fiscal 2005. Capital projects expenditures made up the largest decrease of \$804,957.
- The County's Governmental funds' fund balance decreased .7%, or \$33,698, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Keokuk County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Keokuk County, Iowa's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Keokuk County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, capital projects, and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include:

1. The General Fund,
2. The Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads,

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service Fund, the Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for agriculture extension education, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Keokuk County, Iowa's combined net assets increased from \$11,075,959 to \$13,860,710 during the year ended June 30, 2006. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current and other assets	\$ 9,279,071	\$ 9,192,408
Capital assets	<u>9,878,479</u>	<u>6,989,330</u>
Total assets	<u>19,157,550</u>	<u>16,181,738</u>
Long-term liabilities	523,498	585,000
Other liabilities	<u>4,773,342</u>	<u>4,520,779</u>
Total liabilities	<u>5,296,840</u>	<u>5,105,779</u>
Net assets:		
Invested in capital assets, net of related debt	9,878,479	6,989,330
Restricted	3,838,630	4,278,860
Unrestricted	<u>143,601</u>	<u>(192,231)</u>
Total net assets	\$ <u>13,860,710</u>	\$ <u>11,075,959</u>

Net assets of Keokuk County, Iowa's governmental activities increased by \$2,784,751 (\$13,860,710 compared to \$11,075,959). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$143,601 and \$(192,231) at June 30, 2006 and 2005, respectively.

Changes in Net Assets of Governmental Activities

	<u>Year ended</u>	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,057,685	\$ 809,373
Operating grants, contributions and restricted interest	4,789,533	5,209,400
Capital grants, contributions and restricted interest	2,492,911	3,118,695
General revenues:		
Property and other county tax	2,062,592	1,390,187
Penalty and interest on property tax	34,828	36,550
State tax credits	133,383	97,383
Unrestricted investment earnings	105,971	63,991
Loss on disposal of capital assets	(10,567)	-
Other general revenues	<u>75,364</u>	<u>93,796</u>
Total revenues	<u>10,741,700</u>	<u>10,819,375</u>

Program expenses:		
Public safety and legal services	882,488	879,396
Physical health and social services	613,539	583,494
Mental health	740,338	715,743
County environment and education	364,986	425,237
Roads and transportation	3,938,837	4,359,726
Governmental services to residents	453,248	355,097
Administration	863,007	901,156
Interest on long-term debt	2,098	1,729
Capital projects	94,954	100,728
Non-program activities	<u>3,454</u>	<u>8,741</u>
Total expenses	<u>7,956,949</u>	<u>8,331,047</u>
Change in net assets	2,784,751	2,488,328
Net assets beginning of year, as restated	<u>11,075,959</u>	<u>8,587,631</u>
Net assets end of year	\$ <u>13,860,710</u>	\$ <u>11,075,959</u>

The County increased property tax asking for the 2007FY by 7%. The property tax asking for the 2007FY was set at \$3,954,240, an increase of \$258,647 from the 2006FY.

INDIVIDUAL MAJOR FUND ANALYSIS

As Keokuk County, Iowa completed the year, its governmental funds reported a combined fund balance of \$4,477,868, a decrease of \$33,698 compared to last year's total of \$4,511,566. The decrease in fund balance is primarily attributable to the Secondary Roads Fund. The following are the major reasons for the changes in the fund balances of the major funds from the prior year:

- General Fund revenues and expenditures were \$3,306,070 and \$3,023,827, respectively. The ending fund balance showed an increase of \$269,447 from the prior year to \$845,842. The largest increase in revenues was property and other county tax of \$641,275.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$747,131, an increase of 4% from the prior year. The Mental Health Fund balance at year end decreased by \$43,137 from the prior year.
- Rural Services ending fund balance increased \$187,634 from the June 30, 2005 balance, primarily due to an increase in property and other county tax of \$84,999.
- Secondary Roads Fund revenues decreased by \$482,047 compared to the prior year. This decrease in revenues resulted in a decrease in the Secondary Roads Fund ending balance of \$550,605, or 23%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Keokuk County, Iowa amended its budget three times. The amendments were made on November 28, 2005, February 13, 2006 and May 22, 2006 and resulted in an increase in budgeted disbursements of \$136,892 primarily related to road projects.

Even with these amendments, the County underspent the original total budgeted amount of \$9,122,088 by \$874,104 for the year ended June 30, 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Keokuk County had \$9,878,479 invested in a broad range of capital assets (net of depreciation), including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$2,889,149, or 41% percent over last year.

Capital Assets of Governmental Activities at Year End

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Land	\$ 1,011,300	\$ 1,011,300
Buildings and improvements	385,481	385,373
Equipment and vehicles	1,586,744	1,267,020
Infrastructure	<u>6,894,954</u>	<u>4,325,637</u>
Total	\$ <u>9,878,479</u>	\$ <u>6,989,330</u>
This year's major additions included:		
Buildings and improvements	\$ 12,788	\$ 18,353
Equipment and vehicles	654,947	410,423
Infrastructure	<u>2,713,195</u>	<u>3,209,534</u>
Total	\$ <u>3,380,930</u>	\$ <u>3,638,310</u>

The County had depreciation expense of \$481,214 in FY06 and total accumulated depreciation of \$2,664,790 at June 30, 2006.

The County's fiscal year 2006 capital budget included \$390,000 for capital projects, principally for road and bridge improvements. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2006, Keokuk County, Iowa had approximately \$793,449 in general obligation capital loan notes and other debt outstanding compared to approximately \$856,614 at June 30, 2005, as shown below:

Outstanding Debt of Governmental Activities at Year-End

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Capital loan notes	\$ 570,000	\$ 640,000
Compensated absences	209,951	200,949
Sick leave conversion	<u>13,498</u>	<u>15,665</u>
Total	\$ <u>793,449</u>	\$ <u>856,614</u>

Debt decreased in part as a result of paying off series 2002 capital loan notes

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Keokuk County, Iowa's outstanding general obligation debt of \$570,000 is significantly below its constitutional debt limit of \$38,709,693. Other obligations include accrued compensated absences and sick leave conversion. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Keokuk County, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.0%. This compares with the State's unemployment rate of 3.0% and the national rate of 4.8%.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.4% for fiscal year 2006 compared with the national rate of 3.9%.

These indicators were taken into account when adopting the budget for 2007FY. Amounts available for appropriation in the operating budget are \$8,404,764, a decrease of 9% from the final amended 2006FY budget. The amount of revenue to support the above expenditures is projected to increase 2% from the final amended 2006FY budget to \$8,111,867. Property and other county taxes supporting the 2007FY budget increased \$254,710 from the final amended 2006FY budget and makes up 49% of the revenue for the 2007FY budgeted expenditures.

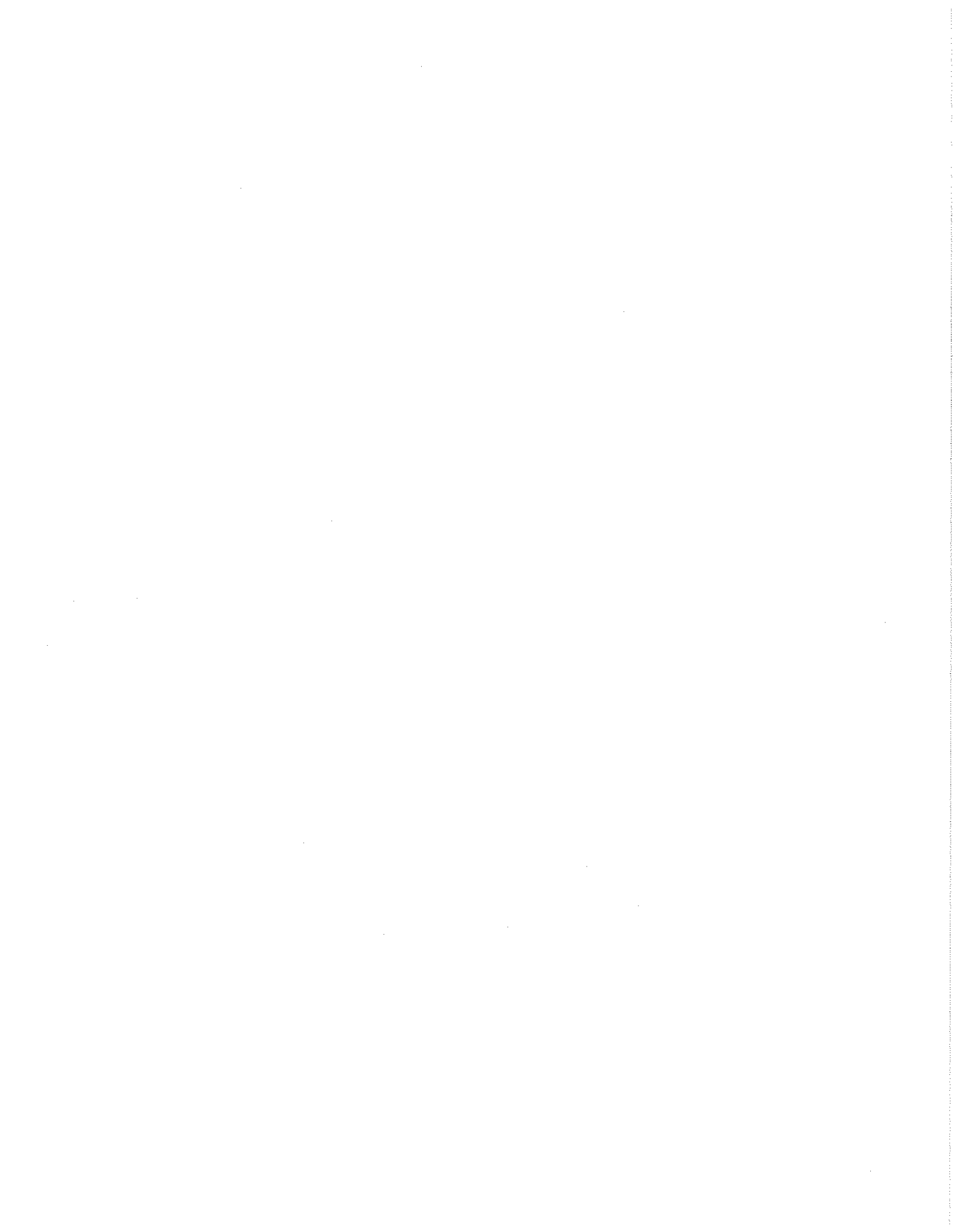
If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of the 2007FY by approximately \$292,897, leaving an overall reserve of approximately 33% of budgeted 2007FY expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Keokuk County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Keokuk County Auditor's Office, 101 South Main Street, Sigourney, Iowa.

KEOKUK COUNTY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
<u>ASSETS:</u>	
Cash and pooled investments	\$ 4,041,341
Receivables:	
Property tax:	
Delinquent	6,583
Succeeding year	4,128,932
Accounts	13,442
Special assessments	16,467
Due from other governments	263,695
Contracts receivable	235,459
Inventories	476,398
Prepaid expenses	96,754
Capital assets (net of accumulated depreciation)	9,878,479
TOTAL ASSETS	<u>19,157,550</u>
<u>LIABILITIES:</u>	
Accounts payable	100,655
Salaries and benefits payable	106,156
Due to other governments	103,807
Accrued interest payable	1,778
Deferred revenue:	
Succeeding year property tax	4,128,932
Other	62,063
Long-term liabilities:	
Portion due and payable within one year:	
Capital loan notes	60,000
Compensated absences	209,951
Portion due and payable after one year:	
Capital loan notes	510,000
Sick leave conversion	13,498
TOTAL LIABILITIES	<u>5,296,840</u>
<u>NET ASSETS:</u>	
Invested in capital assets, net of related debt	9,878,479
Restricted for:	
Supplemental levy	206,604
Mental health	898,224
Rural services	383,857
Secondary roads	1,836,330
Capital projects	9,472
Other purposes	504,143
Unrestricted	143,601
TOTAL NET ASSETS	\$ <u>13,860,710</u>



KEOKUK COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Charges for Service	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 882,488	\$ 53,075	\$ -	\$ -	\$ (829,413)
Physical health and social services	613,539	402,034	122,570	-	(88,935)
Mental health	740,338	-	703,994	-	(36,344)
County environment and education	364,986	196,274	782,619	-	613,907
Roads and transportation	3,938,837	204,129	3,170,145	2,400,946	1,836,383
Governmental services to residents	453,248	195,345	10,205	91,965	(155,733)
Administration	863,007	6,828	-	-	(856,179)
Interest on long-term debt	2,098	-	-	-	(2,098)
Capital projects	94,954	-	-	-	(94,954)
Non-program activities	3,454	-	-	-	(3,454)
Total	\$ 7,956,949	\$ 1,057,685	\$ 4,789,533	\$ 2,492,911	383,180
General revenues:					
Property and other county tax levied for:					
General purposes					2,062,592
Penalty and interest on property tax					34,828
State tax credits					133,383
Unrestricted investment earnings					105,971
Loss on disposal of capital assets					(10,567)
Other general revenues					75,364
Total general revenues					2,401,571
Change in net assets					2,784,751
NET ASSETS - Beginning of year, as restated					11,075,959
NET ASSETS - End of year					\$ 13,860,710

KEOKUK COUNTY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

ASSETS	General	Special Revenue			Nonmajor Governmental Funds	Total
		MH-DD Services	Rural Services	Secondary Roads		
Cash and pooled investments	\$ 818,860	\$ 992,104	\$ 383,857	\$ 1,297,129	\$ 511,398	\$ 4,003,348
Receivables:						
Property tax:						
Delinquent	4,090	289	2,204	-	-	6,583
Succeeding year	2,564,841	181,588	1,382,503	-	-	4,128,932
Accounts	8,441	-	-	2,784	2,217	13,442
Special assessments	-	-	-	-	16,467	16,467
Due from other governments	89,768	-	-	173,927	-	263,695
Contracts receivable	-	-	-	235,459	-	235,459
Inventories	-	-	-	476,398	-	476,398
Prepaid expenses	28,875	-	-	-	-	28,875
TOTAL ASSETS	\$ 3,514,875	\$ 1,173,981	\$ 1,768,564	\$ 2,185,697	\$ 530,082	\$ 9,173,199
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 30,547	\$ 5,623	\$ -	\$ 61,757	\$ -	\$ 97,927
Salaries and benefits payable	54,991	1,237	-	49,928	-	106,156
Due to other governments	14,564	87,020	-	2,223	-	103,807
Deferred revenue:						
Succeeding year property tax	2,564,841	181,588	1,382,503	-	-	4,128,932
Other	4,090	289	2,204	235,459	16,467	258,509
TOTAL LIABILITIES	2,669,033	275,757	1,384,707	349,367	16,467	4,695,331
FUND BALANCES:						
Reserved for:						
Inventories	-	-	-	476,398	-	476,398
Prepaid expenses	28,875	-	-	-	-	28,875
Supplemental levy	206,604	-	-	-	-	206,604
Unreserved, reported in:						
General fund	610,363	-	-	-	-	610,363
Capital projects fund	-	-	-	-	9,472	9,472
Special revenue funds	-	898,224	383,857	1,359,932	504,143	3,146,156
Total fund balances	845,842	898,224	383,857	1,836,330	513,615	4,477,868
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,514,875	\$ 1,173,981	\$ 1,768,564	\$ 2,185,697	\$ 530,082	\$ 9,173,199

KEOKUK COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total governmental fund balances	\$ 4,477,868
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$12,543,269 and the accumulated depreciation is \$2,664,790.	9,878,479
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	258,509
The Internal Service Fund is used by management to charge the costs of the County's health and dental insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets	41,081
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,778)
Long-term liabilities, including long-term compensated absences payable and sick leave conversion, are not due and payable in the current period and, therefore, are not reported in the fund financial statements	<u>(793,449)</u>
Net assets of governmental activities	\$ <u>13,860,710</u>

KEOKUK COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Special Revenue			Nonmajor Governmental Funds	Total
		MH-DD Services	Rural Services	Secondary Roads		
<u>REVENUES:</u>						
Property and other county tax	\$ 2,062,819	\$ 246,206	\$ 1,330,963	\$ -	\$ -	\$ 3,639,988
Interest and penalty on property tax	34,828	-	-	-	-	34,828
Intergovernmental	269,029	453,784	182,204	2,462,831	80,391	3,448,239
Licenses and permits	14,233	-	-	2,925	-	17,158
Charges for service	648,990	-	-	406	82,336	731,732
Use of money and property	154,004	4,004	-	-	68,279	226,287
Miscellaneous	122,167	-	-	71,884	-	194,051
Total revenues	<u>3,306,070</u>	<u>703,994</u>	<u>1,513,167</u>	<u>2,538,046</u>	<u>231,006</u>	<u>8,292,283</u>
<u>EXPENDITURES:</u>						
Current:						
Public safety and legal services	889,643	-	-	-	-	889,643
Physical health and social services	606,011	-	-	-	-	606,011
Mental health	-	747,131	-	-	-	747,131
County environment and education	224,179	-	217,922	-	-	442,101
Roads and transportation	-	-	290,668	3,574,096	-	3,864,764
Governmental services to residents	444,682	-	1,943	-	3,736	450,361
Administration	859,312	-	-	-	-	859,312
Non-program activities	-	-	-	3,446	-	3,446
Debt service	-	-	-	-	42,660	42,660
Capital projects	-	-	-	326,109	94,443	420,552
Total expenditures	<u>3,023,827</u>	<u>747,131</u>	<u>510,533</u>	<u>3,903,651</u>	<u>140,839</u>	<u>8,325,981</u>
Excess (deficiency) of revenues over (under) expenditures	<u>282,243</u>	<u>(43,137)</u>	<u>1,002,634</u>	<u>(1,365,605)</u>	<u>90,167</u>	<u>(33,698)</u>
Other financial sources (uses):						
Operating transfers in	-	-	-	815,000	12,796	827,796
Operating transfers out	<u>(12,796)</u>	<u>-</u>	<u>(815,000)</u>	<u>-</u>	<u>-</u>	<u>(827,796)</u>
Total other financing sources (uses)	<u>(12,796)</u>	<u>-</u>	<u>(815,000)</u>	<u>815,000</u>	<u>12,796</u>	<u>-</u>
Net change in fund balances	269,447	(43,137)	187,634	(550,605)	102,963	(33,698)
Fund balances - Beginning of year	<u>576,395</u>	<u>941,361</u>	<u>196,223</u>	<u>2,386,935</u>	<u>410,652</u>	<u>4,511,566</u>
Fund balances - End of year	\$ <u>845,842</u>	\$ <u>898,224</u>	\$ <u>383,857</u>	\$ <u>1,836,330</u>	\$ <u>513,615</u>	\$ <u>4,477,868</u>

KEOKUK COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Net change in fund balances - Total governmental funds \$ (33,698)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 979,984	
Depreciation expense	<u>(481,214)</u>	498,770

Capital assets contributed by the Iowa Department of Transportation 2,400,946

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds:

Property tax and other deferred revenues	(84,452)
--	----------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	60,000
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In the Statement of Activities, the loss on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources.	(10,567)
--	----------

Payments by other entities to retire capital loan notes are not recorded in the governmental funds.	10,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(37,922)
Sick leave conversion	2,167
Interest on long-term debt	127

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	<u>(20,620)</u>
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Change in net assets of governmental activities	\$ <u>2,784,751</u>
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KEOKUK COUNTY, IOWASTATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006Internal Service -
Employee
Group HealthASSETS

Cash and cash equivalents	\$	37,993
Prepaid expenses		<u>67,879</u>
TOTAL ASSETS		<u>105,872</u>

LIABILITIES

Accounts payable		2,728
Deferred revenue		<u>62,063</u>
TOTAL LIABILITIES		<u>64,791</u>

NET ASSETS:

Unrestricted	\$	<u>41,081</u>
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KEOKUK COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

Internal Service -
 Employee
Group Health

OPERATING REVENUES:

Charges to County operating funds and others \$ 766,426

OPERATING EXPENSES:

Dental claims	29,444
Medical insurance premiums	744,760
Refunds and miscellaneous expenses	117
Group life insurance premiums	5,605
Administrative fees	<u>7,319</u>
Total operating expenses	<u>787,245</u>

Operating loss (20,819)

NON-OPERATING REVENUES:

Interest on investments 199

NET LOSS (20,620)

NET ASSETS - Beginning of year 61,701

NET ASSETS - End of year \$ 41,081

KEOKUK COUNTY, IOWA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

Internal Service -
 Employee
Group Health

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from charges to others	\$ 766,426
Cash payments for dental claims	(28,413)
Cash payments for insurance premiums	(758,910)
Cash payments for miscellaneous services	<u>(7,436)</u>
NET CASH USED IN OPERATING ACTIVITIES	(28,333)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>199</u>
-------------------------	------------

NET DECREASE IN CASH AND CASH EQUIVALENTS (28,134)

CASH AND CASH EQUIVALENTS - Beginning of Year 66,127

CASH AND CASH EQUIVALENTS - End of Year \$ 37,993

RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES:

Operating loss	\$ (20,819)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in prepaid expenses	(8,414)
Increase in accounts payable	1,031
Decrease in deferred revenue	<u>(131)</u>
Net cash used in operating activities	\$ <u>(28,333)</u>

KEOKUK COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2006ASSETS

Cash and pooled investments:		
County Treasurer	\$	480,904
Other County officials		206,119
Accounts receivable		16,936
Property tax receivable:		
Delinquent		14,987
Succeeding year		9,401,993
Due from other governments		5,785
	TOTAL ASSETS	<u>10,126,724</u>

LIABILITIES

Accounts payable		2,858
Due to other governments		9,908,882
Salaries and benefits payable		5,013
Trusts payable		209,971
	TOTAL LIABILITIES	<u>10,126,724</u>
	NET ASSETS	\$ <u>-</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Keokuk County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Keokuk County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on the organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Keokuk County Assessor's Conference Board, Keokuk County Emergency Management Commission and Keokuk County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The MH-DD Services Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds:

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to other funds for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the date of purchase, have a maturity date no longer than three months.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2005.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Buildings and improvements	50,000
Equipment and vehicles	5,000

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Infrastructure	40-65
Buildings and improvements	20-50
Equipment and vehicles	5-20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and other receivables for which the related revenues have not yet been earned.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, MH-DD Services and Secondary Roads Funds.

Sick leave conversion – Upon their retirement, County employees who have 15 years of continuous County employment, and meet certain other restrictions are eligible to use 25% of their accrued sick leave to pay for future health insurance premiums for themselves, their spouse and dependents, subject to certain coverage restrictions.

Long-term Liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the Capital Projects function.

NOTE 2: CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible banker's acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

The County's funds are all deposited in financial institution depository accounts.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 815,000
Capital Projects	General	5,000
Special Revenue: Meadowbrook Sewer Project	General	<u>7,796</u>
	Total	\$ <u>827,796</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CONTRACTS RECEIVABLE – SECONDARY ROADS

As of June 30, 2006, the County has long-term interest-free contracts receivable from five cities for reimbursements from road paving. Summaries of the payment schedules are as follows:

<u>Year Ending June 30,</u>	<u>City of Delta</u>	<u>City of Richland</u>	<u>City of Gibson</u>	<u>City of Harper</u>	<u>City of What Cheer</u>	<u>Total</u>
2007	\$ 3,347	\$ 11,000	\$ 2,500	\$ 1,675	\$ 7,800	\$ 26,322
2008	-	11,000	2,500	1,675	7,800	22,975
2009	-	11,000	2,500	1,675	7,800	22,975
2010	-	11,000	2,500	1,675	7,800	22,975
2011	-	11,000	2,500	1,675	7,800	22,975
2012-2020	-	<u>5,932</u>	<u>19,879</u>	<u>15,061</u>	<u>76,365</u>	<u>117,237</u>
Total	\$ <u>3,347</u>	\$ <u>60,932</u>	\$ <u>32,379</u>	\$ <u>23,436</u>	\$ <u>115,365</u>	\$ <u>235,459</u>

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases and Transfers</u>	<u>Decreases and Transfers</u>	<u>Balance End of Year</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>1,011,300</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,011,300</u>
Capital assets being depreciated:				
Buildings and improvements	716,492	12,788	-	729,280
Equipment and vehicles	3,266,437	654,947	263,030	3,658,354
Infrastructure	<u>4,431,140</u>	<u>2,713,195</u>	<u>-</u>	<u>7,144,335</u>
Total capital assets being depreciated	<u>8,414,069</u>	<u>3,380,930</u>	<u>263,030</u>	<u>11,531,969</u>
Less accumulated depreciation for:				
Buildings and improvements	331,119	12,680	-	343,799
Equipment and vehicles	1,999,417	324,656	252,463	2,071,610
Infrastructure	<u>105,503</u>	<u>143,878</u>	<u>-</u>	<u>249,381</u>
Total accumulated depreciation	<u>2,436,039</u>	<u>481,214</u>	<u>252,463</u>	<u>2,664,790</u>
Total capital assets being depreciated, net	<u>5,978,030</u>	<u>2,899,716</u>	<u>10,567</u>	<u>8,867,179</u>
Governmental activities capital assets, net	\$ <u>6,989,330</u>	\$ <u>2,899,716</u>	\$ <u>10,567</u>	\$ <u>9,878,479</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public safety and legal services	\$ 49,764
Physical health and social services	3,761
Mental health	4,338
County environment and education	27,060
Roads and transportation	392,810
Governmental services to residents	1,198
Administration	2,275
Non-program	<u>8</u>
 Total depreciation expense - Governmental activities	 \$ <u>481,214</u>

NOTE 6: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Services and Collections and Delinquent Property Taxes</u>	<u>Succeeding Year Property Taxes</u>	<u>Total</u>
General	\$ 14,564	\$ -	\$ 14,564
Special Revenue:			
MH-DD	87,020	-	87,020
Secondary Roads	<u>2,223</u>	<u>-</u>	<u>2,223</u>
Total governmental funds	<u>103,807</u>	<u>-</u>	<u>103,807</u>
Agency:			
County Recorder	164	-	164
E-911	78,786	-	78,786
Fire districts	3,182	189,712	192,894
County hospital	14,181	801,168	815,349
Townships	1,615	80,070	81,685
Corporations	34,474	1,540,253	1,574,727
Schools	127,035	6,155,116	6,282,151
Area schools	6,243	351,959	358,202
County Assessor	53,597	205,898	259,495
Agriculture extension education	1,464	75,999	77,463
Auto license and use tax	174,111	-	174,111
All other	<u>12,037</u>	<u>1,818</u>	<u>13,855</u>
Total agency funds	<u>506,889</u>	<u>9,401,993</u>	<u>9,908,882</u>
	\$ <u>610,696</u>	\$ <u>9,401,993</u>	\$ <u>10,012,689</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Capital Loan Notes	Compensated Absences	Sick Leave Conversion	Total
Balance - Beginning of year	\$ 640,000	\$ 200,949	\$ 15,665	\$ 856,614
Additions	-	209,951	-	209,951
Reductions	<u>70,000</u>	<u>200,949</u>	<u>2,167</u>	<u>273,116</u>
Balance - End of year	\$ <u>570,000</u>	<u>209,951</u>	<u>13,498</u>	<u>793,449</u>
Due within one year	\$ <u>60,000</u>	\$ <u>209,951</u>	\$ <u>-</u>	\$ <u>269,951</u>

Capital Loan Notes

In May 2003, the County issued \$70,000 of limited tax anticipation capital loan notes. The loan proceeds were used to pay costs of acquiring fire equipment for Benton Township. The Series 2003 notes are payable from Benton Township's fire protection tax levied pursuant to Chapter 359.43 of the Code of Iowa. However, the County is primarily responsible for this debt and would be required to make the payment should the township be unable to cover the principal and interest costs of this issue.

In June 2004, the County issued \$575,000 of crossover advance refunding capital loan notes to advance refund the Series 1996 capital loan notes. The net proceeds of \$565,491 were placed in escrow and were used to redeem the Series 1996 notes on their call date of June 1, 2005.

As a result of the crossover advance refunding, the County reduced its total debt service requirements over the life of the notes by \$37,505, which resulted in a present value economic gain of \$28,831.

A summary of the County's June 30, 2006 capital loan note indebtedness is as follows:

Year ending June 30,	<u>\$70,000 Series 2003</u>			<u>\$575,000 - Series 2004</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2007	4.45 %	\$ 10,000	\$ 1,780	2.65 %	\$ 50,000	\$ 19,857
2008	4.45	10,000	1,335	3.00	45,000	18,532
2009	4.45	10,000	890	3.25	50,000	17,183
2010	4.45	10,000	445	3.45	50,000	15,558
2011	-	-	-	3.70	55,000	13,832
2012	-	-	-	3.90	50,000	11,798
2013	-	-	-	4.05	55,000	9,847
2014	-	-	-	4.20	55,000	7,620
2015	-	-	-	4.35	60,000	5,310
2016	-	-	-	4.50	<u>60,000</u>	<u>2,700</u>
Total		\$ <u>40,000</u>	\$ <u>4,450</u>		\$ <u>530,000</u>	\$ <u>122,237</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: CHANGES IN LONG-TERM LIABILITIES (Continued)

Year ending June 30,	Total	
	Principal	Interest
2007	\$ 60,000	\$ 21,637
2008	55,000	19,867
2009	60,000	18,073
2010	60,000	16,003
2011	55,000	13,832
2012	50,000	11,798
2013	55,000	9,847
2014	55,000	7,620
2015	60,000	5,310
2016	<u>60,000</u>	<u>2,700</u>
Total	\$ <u>570,000</u>	\$ <u>126,687</u>

During the year ended June 30, 2006, the County retired \$70,000 of capital loan notes.

NOTE 8: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$ 156,578, \$146,878, and \$139,922, respectively, equal to the required contributions for each year.

NOTE 9: RISK MANAGEMENT

Keokuk County, Iowa is exposed to various risks of loss related to torts; theft; damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10: EMPLOYEE HEALTH INSURANCE PLAN

The County has a minimum premium dental insurance plan, which is administered by Blue Cross and Blue Shield of Iowa. The County purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$35,000 in insured claims for any one covered individual. Settled claims did not exceed the commercial coverage in the plan year ended June 30, 2006.

Monthly payments of plan contributions to the Keokuk County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees, claims processed and insurance premiums are paid to Blue Cross and Blue Shield of Iowa from the Keokuk County Employee Group Health Fund. The County records the plan assets and related liabilities of the Keokuk County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$766,426.

KEOKUK COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

NOTE 11: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2005 have been reclassified to conform with the June 30, 2006 presentation.

NOTE 12: SPECIAL REPORT

On December 1, 2005, the State Auditor's office issued a report as a result of a special investigation of the Keokuk County Information Technology department. The report covered the period of October 14, 2002 through March 14, 2005, and included findings related to their procedures.

NOTE 13: PRIOR PERIOD ADJUSTMENT

During the current year, certain errors resulting in a \$44,945 overstatement of contracts receivable as of June 30, 2005 were discovered. This resulted in the following changes in net assets as of June 30, 2005.

Net assets as previously reported	\$ 11,120,904
Adjustments	<u>(44,945)</u>
Net assets as restated	\$ <u>11,075,959</u>

REQUIRED SUPPLEMENTARY INFORMATION

KEOKUK COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Fund Types	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Original	Final	
<u>RECEIPTS:</u>				
Property and other county tax	\$ 3,639,987	\$ 3,731,256	\$ 3,731,256	\$ (91,269)
Interest and penalty on property tax	34,828	21,000	21,000	13,828
Intergovernmental	3,354,112	3,253,590	3,253,590	100,522
Licenses and permits	17,308	17,232	17,232	76
Charges for service	653,370	636,845	673,605	(20,235)
Use of money and property	226,277	112,645	152,377	73,900
Miscellaneous	181,233	48,050	98,450	82,783
Total receipts	<u>8,107,115</u>	<u>7,820,618</u>	<u>7,947,510</u>	<u>159,605</u>
<u>DISBURSEMENTS:</u>				
Public safety and legal services	871,848	882,617	892,617	20,769
Physical health and social services	607,541	664,265	664,265	56,724
Mental health	763,079	1,007,371	1,007,371	244,292
County environment and education	444,488	451,075	451,075	6,587
Roads and transportation	3,799,981	4,296,200	4,346,600	546,619
Governmental services to residents	451,426	492,441	492,441	41,015
Administration	846,316	931,219	970,951	124,635
Non-program activities	-	1,000	1,000	1,000
Debt service	42,660	5,900	42,660	-
Capital projects	420,645	390,000	390,000	(30,645)
Total disbursements	<u>8,247,984</u>	<u>9,122,088</u>	<u>9,258,980</u>	<u>1,010,996</u>
Excess (deficiency) of receipts over (under) disbursements	(140,869)	(1,301,470)	(1,311,470)	1,170,601
Other financing sources (uses), net	<u>322</u>	<u>6,000</u>	<u>6,000</u>	<u>(5,678)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(140,547)	(1,295,470)	(1,305,470)	1,164,923
<u>BALANCE - Beginning of year</u>	<u>4,149,729</u>	<u>3,069,527</u>	<u>3,069,527</u>	<u>1,080,202</u>
<u>BALANCE - End of year</u>	<u>\$ 4,009,182</u>	<u>\$ 1,774,057</u>	<u>\$ 1,764,057</u>	<u>\$ 2,245,125</u>

KEOKUK COUNTY, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 8,107,115	\$ 185,168	\$ 8,292,283
Expenditures	<u>8,247,984</u>	<u>77,997</u>	<u>8,325,981</u>
Net	(140,869)	107,171	(33,698)
Other financing sources (uses), net	322	(322)	-
Beginning fund balances	<u>4,149,729</u>	<u>361,837</u>	<u>4,511,566</u>
Ending fund balances	\$ <u>4,009,182</u>	\$ <u>468,686</u>	\$ <u>4,477,868</u>

KEOKUK COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

JUNE 30, 2006

This budgeting comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No 41 for governments with significant budgeting perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. The 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$136,892. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the capital projects function.

OTHER SUPPLEMENTARY INFORMATION

KEOKUK COUNTY, IOWA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

		Special Revenue		
	REAP Fund	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Meadowbrook Sewer Project
<u>ASSETS</u>				
Cash and pooled investments	\$ 32,191	\$ 1,259	\$ 245	\$ -
Receivables:				
Accounts	-	-	-	-
Special assessments	-	-	-	16,467
TOTAL ASSETS	\$ <u>32,191</u>	\$ <u>1,259</u>	\$ <u>245</u>	\$ <u>16,467</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Deferred revenues	\$ -	\$ -	\$ -	\$ 16,467
Total liabilities	-	-	-	16,467
<u>FUND EQUITY:</u>				
Unreserved, reported in:				
Capital projects funds	-	-	-	-
Special revenue funds	32,191	1,259	245	-
Total fund equity	<u>32,191</u>	<u>1,259</u>	<u>245</u>	-
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>32,191</u>	\$ <u>1,259</u>	\$ <u>245</u>	\$ <u>16,467</u>

<u>Revolving Loan Account</u>	<u>Conservation Land Acquisition</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 301,092	\$ 167,139	\$ 9,472	\$ 511,398
-	2,217	-	2,217
<u>-</u>	<u>-</u>	<u>-</u>	<u>16,467</u>
\$ <u>301,092</u>	\$ <u>169,356</u>	<u>9,472</u>	\$ <u>530,082</u>
\$ <u>-</u>	\$ <u>-</u>	<u>-</u>	\$ <u>16,467</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>16,467</u>
-	-	9,472	9,472
<u>301,092</u>	<u>169,356</u>	<u>-</u>	<u>504,143</u>
<u>301,092</u>	<u>169,356</u>	<u>9,472</u>	<u>513,615</u>
\$ <u>301,092</u>	\$ <u>169,356</u>	\$ <u>9,472</u>	\$ <u>530,082</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

		<u>Special Revenue</u>		
	<u>REAP Fund</u>	<u>County Recorder's Records Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Meadowbrook Sewer Project</u>
<u>REVENUES:</u>				
Intergovernmental	\$ 4,682	\$ -	\$ -	\$ -
Charges for service	-	2,529	-	22,506
Use of money and property	264	9	12	97
Total revenues	<u>4,946</u>	<u>2,538</u>	<u>12</u>	<u>22,603</u>
<u>EXPENDITURES:</u>				
Operating:				
Governmental services to residents	-	1,749	1,987	-
Debt service	-	-	-	42,660
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>1,749</u>	<u>1,987</u>	<u>42,660</u>
Excess (deficiency) of revenues over (under) expenditures	4,946	789	(1,975)	(20,057)
Other financing sources:				
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,796</u>
Net change in fund balances	4,946	789	(1,975)	(12,261)
Fund balances - Beginning of year	<u>27,245</u>	<u>470</u>	<u>2,220</u>	<u>12,261</u>
Fund balances - End of year	\$ <u>32,191</u>	\$ <u>1,259</u>	\$ <u>245</u>	\$ <u>-</u>

<u>Revolving Loan Account</u>	<u>Conservation Land Acquisition</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 75,709	\$ -	\$ -	\$ 80,391
-	57,301	-	82,336
-	67,897	-	68,279
<u>75,709</u>	<u>125,198</u>	<u>-</u>	<u>231,006</u>
-	-	-	3,736
-	-	-	42,660
-	92,344	2,099	94,443
<u>-</u>	<u>92,344</u>	<u>2,099</u>	<u>140,839</u>
75,709	32,854	(2,099)	90,167
-	-	5,000	12,796
75,709	32,854	2,901	102,963
<u>225,383</u>	<u>136,502</u>	<u>6,571</u>	<u>410,652</u>
\$ <u>301,092</u>	\$ <u>169,356</u>	\$ <u>9,472</u>	\$ <u>513,615</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2006

	<u>County Offices</u>		
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Auditor</u>
<u>ASSETS</u>			
Cash and pooled investments:			
County Treasurer	\$ -	\$ -	\$ -
Other County officials	164	16,095	189,860
Receivables:			
Accounts receivable	-	-	-
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 \$ <u>164</u>	 \$ <u>16,095</u>	 \$ <u>189,860</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Due to other governments	164	-	-
Salaries and benefits payable	-	-	-
Trusts payable	-	16,095	189,860
	<u>-</u>	<u>16,095</u>	<u>189,860</u>
 TOTAL LIABILITIES	 \$ <u>164</u>	 \$ <u>16,095</u>	 \$ <u>189,860</u>

Schedule 3

<u>E-911</u>	<u>Emergency Management Services</u>	<u>Fire Districts</u>	<u>Brucellosis and Tuberculosis Eradication Fund</u>	<u>County Hospital</u>	<u>Townships</u>	<u>Corporations</u>
\$ 59,342	\$ 8,312	\$ 2,880	\$ 841	\$ 12,904	\$ 1,488	\$ 32,019
-	-	-	-	-	-	-
16,936	-	-	-	-	-	-
-	-	302	4	1,277	127	2,455
-	-	189,712	1,818	801,168	80,070	1,540,253
<u>5,068</u>	<u>717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>81,346</u>	\$ <u>9,029</u>	\$ <u>192,894</u>	\$ <u>2,663</u>	\$ <u>815,349</u>	\$ <u>81,685</u>	\$ <u>1,574,727</u>
\$ 2,560	\$ 202	\$ -	\$ -	\$ -	\$ -	\$ -
78,786	8,183	192,894	2,663	815,349	81,685	1,574,727
-	644	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>81,346</u>	\$ <u>9,029</u>	\$ <u>192,894</u>	\$ <u>2,663</u>	\$ <u>815,349</u>	\$ <u>81,685</u>	\$ <u>1,574,727</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2005

	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>	<u>Agriculture Extension Education</u>
<u>ASSETS</u>				
Cash and pooled investments:				
County Treasurer	\$ 117,223	\$ 5,682	\$ 57,734	\$ 1,343
Other County officials	-	-	-	-
Receivables:				
Accounts receivable	-	-	-	-
Property tax:				
Delinquent	9,812	561	328	121
Succeeding year	6,155,116	351,959	205,898	75,999
Due from other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>6,282,151</u>	\$ <u>358,202</u>	\$ <u>263,960</u>	\$ <u>77,463</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ 96	\$ -
Due to other governments	6,282,151	358,202	259,495	77,463
Salaries and benefits payable	-	-	4,369	-
Trusts payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>6,282,151</u>	\$ <u>358,202</u>	\$ <u>263,960</u>	\$ <u>77,463</u>

Schedule 3 - (Continued)

<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption Trust</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Recorder's E-Transfer Fee</u>	<u>Total</u>
\$ 174,111	\$ 2,752	\$ 4,016	\$ 7	\$ 250	\$ 480,904
-	-	-	-	-	206,119
-	-	-	-	-	16,936
-	-	-	-	-	14,987
-	-	-	-	-	9,401,993
-	-	-	-	-	5,785
<u>\$ 174,111</u>	<u>\$ 2,752</u>	<u>\$ 4,016</u>	<u>\$ 7</u>	<u>\$ 250</u>	<u>\$ 10,126,724</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,858
174,111	2,752	-	7	250	9,908,882
-	-	-	-	-	5,013
-	-	4,016	-	-	209,971
<u>\$ 174,111</u>	<u>\$ 2,752</u>	<u>\$ 4,016</u>	<u>\$ 7</u>	<u>\$ 250</u>	<u>\$ 10,126,724</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2006

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>		
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Auditor</u>
Balances beginning of year	\$ <u>36</u>	\$ <u>5,596</u>	\$ <u>104,220</u>
Additions:			
Property and other county tax	-	-	-
State tax credits	-	-	-
E911 surcharge	-	-	-
Emergency management grants	-	-	-
Office fees and collections	189,436	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Interest income	-	-	-
Trusts	-	192,067	103,660
Miscellaneous	-	-	-
Total additions	<u>189,436</u>	<u>192,067</u>	<u>103,660</u>
Deductions:			
Agency remittances:			
To other funds	189,308	-	-
To other governments	-	-	-
Trusts paid out	-	181,568	18,020
Total deductions	<u>189,308</u>	<u>181,568</u>	<u>18,020</u>
Balances end of year	\$ <u>164</u>	\$ <u>16,095</u>	\$ <u>189,860</u>

Schedule 4

<u>E-911</u>	<u>Emergency Management Services</u>	<u>Fire Districts</u>	<u>Brucellosis and Tuberculosis Eradication Fund</u>	<u>County Hospital</u>	<u>Townships</u>	<u>Corporations</u>
\$ <u>61,262</u>	\$ <u>12,245</u>	\$ <u>187,440</u>	\$ <u>2,590</u>	\$ <u>744,192</u>	\$ <u>78,022</u>	\$ <u>1,432,923</u>
-	-	172,480	1,641	727,516	74,000	1,366,832
-	-	17,431	177	74,053	6,132	175,023
102,976	-	-	-	-	-	-
-	41,579	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
617	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>103,593</u>	<u>41,579</u>	<u>189,911</u>	<u>1,818</u>	<u>801,569</u>	<u>80,132</u>	<u>1,541,855</u>
-	-	-	-	-	-	-
83,509	44,795	184,457	1,745	730,412	76,469	1,400,051
-	-	-	-	-	-	-
<u>83,509</u>	<u>44,795</u>	<u>184,457</u>	<u>1,745</u>	<u>730,412</u>	<u>76,469</u>	<u>1,400,051</u>
\$ <u>81,346</u>	\$ <u>9,029</u>	\$ <u>192,894</u>	\$ <u>2,663</u>	\$ <u>815,349</u>	\$ <u>81,685</u>	\$ <u>1,574,727</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2006

<u>ASSETS AND LIABILITIES</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
Balances beginning of year	\$ <u>6,557,244</u>	\$ <u>326,268</u>	\$ <u>232,749</u>
Additions:			
Property and other county tax	5,495,618	319,607	194,933
State tax credits	665,054	32,548	11,071
E911 surcharge	-	-	-
Emergency management grants	-	-	-
Office fees and collections	-	-	434
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Interest income	-	-	-
Trusts	-	-	-
Miscellaneous	-	-	-
Total additions	<u>6,160,672</u>	<u>352,155</u>	<u>206,438</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	6,435,765	320,221	175,227
Trusts paid out	-	-	-
Total deductions	<u>6,435,765</u>	<u>320,221</u>	<u>175,227</u>
Balances end of year	\$ <u>6,282,151</u>	\$ <u>358,202</u>	\$ <u>263,960</u>

Schedule 4 - (Continued)

<u>Agriculture Extension Education</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption Trust</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Recorder's E-Transfer Fee</u>	<u>Total</u>
\$ 77,390	\$ 170,774	\$ 2,830	\$ 11,580	\$ 2	\$ -	\$ 10,007,363
68,326	-	-	-	-	-	8,420,953
7,705	-	-	-	-	-	989,194
-	-	-	-	-	-	102,976
-	-	-	-	-	-	41,579
-	-	-	-	-	-	189,870
-	2,431,831	-	-	-	-	2,431,831
-	-	17,049	-	-	-	17,049
-	-	-	-	-	-	617
-	-	-	63,036	-	-	358,763
-	-	-	-	5	2,655	2,660
<u>76,031</u>	<u>2,431,831</u>	<u>17,049</u>	<u>63,036</u>	<u>5</u>	<u>2,655</u>	<u>12,555,492</u>
-	-	-	-	-	-	189,308
75,958	2,428,494	17,127	-	-	2,405	11,976,635
-	-	-	70,600	-	-	270,188
<u>75,958</u>	<u>2,428,494</u>	<u>17,127</u>	<u>70,600</u>	<u>-</u>	<u>2,405</u>	<u>12,436,131</u>
\$ 77,463	\$ 174,111	\$ 2,752	\$ 4,016	\$ 7	\$ 250	\$ 10,126,724

KEOKUK COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Year Ended June 30,				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
REVENUES:					
Property and other county tax	\$ 3,639,988	\$ 2,911,738	\$ 2,860,621	\$ 2,768,801	\$ 2,758,773
Interest and penalty on property tax	34,828	36,550	32,710	33,782	34,431
Intergovernmental	3,448,239	3,843,007	3,589,148	3,738,618	3,745,125
Licenses and permits	17,158	19,135	19,973	17,362	17,490
Charges for service	731,732	551,125	307,125	234,682	336,720
Use of money and property	226,287	128,207	157,683	177,960	178,088
Miscellaneous	<u>194,051</u>	<u>225,359</u>	<u>99,450</u>	<u>62,853</u>	<u>49,564</u>
Total	\$ <u>8,292,283</u>	\$ <u>7,715,121</u>	\$ <u>7,066,710</u>	\$ <u>7,034,058</u>	\$ <u>7,120,191</u>
EXPENDITURES:					
Operating:					
Public safety and legal services	\$ 889,643	\$ 878,022	\$ 906,648	\$ 808,504	\$ 798,344
Physical health and social services	606,011	593,320	656,083	611,624	724,945
Mental health	747,131	716,380	662,544	775,723	835,382
County environment and education	442,101	423,759	386,606	370,534	361,958
Roads and transportation	3,864,764	3,414,703	3,162,779	3,009,989	2,946,331
Governmental services to residents	450,361	351,043	315,607	272,542	255,619
Administration	859,312	891,944	817,056	836,562	766,973
Non-program activities	3,446	8,736	-	-	6,922
Debt service	42,660	582,291	32,509	7,522	184,800
Capital projects	<u>420,552</u>	<u>1,225,509</u>	<u>461,306</u>	<u>517,624</u>	<u>136,411</u>
Total	\$ <u>8,325,981</u>	\$ <u>9,085,707</u>	\$ <u>7,401,138</u>	\$ <u>7,210,624</u>	\$ <u>7,017,685</u>



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge"

Kenneth E. Crosser, CPA
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David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Officials of Keokuk County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Keokuk County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated October 5, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Keokuk County, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Keokuk County, Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keokuk County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Keokuk County, Iowa and other parties to whom the County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Keokuk County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
October 5, 2006

KEOKUK COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements

PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

II-A-06 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in each of the offices identified may have control over the following areas for which no compensating controls exist:

		<u>Applicable Offices</u>
(1)	All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipts records.	Ag Extension Recorder Sheriff
(2)	a) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks.	Sheriff
	b) Bank accounts should be reconciled promptly at the end of each month by an individual who does not handle or record cash	Ag Extension Recorder Sheriff
(3)	Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension Recorder Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. Officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

KEOKUK COUNTY, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS: (Continued)

Reportable Conditions: (Continued)

II-A-06 Segregation of Duties (Continued)

Responses

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – At the end of each day a listing of cash receipts, a fee book report of entered business and cash on hand are balanced or compared by two or more employees. Bank accounts are reconciled promptly by the Deputy Recorder, who does not sign checks except in the absence of the Recorder. Two or more employees are involved in comparing a listing of cash receipts, fee book report of entered business and actual cash to balance before weekly cash deposits are made. The same practice is used monthly and quarterly to balance at the end of each month and quarter. It should be noted that at the end of the fiscal year, the Recorder's checking account obtains a zero balance as no monies are retained by this office except for \$100 petty cash retained for the cash register. All monies either monthly or quarterly are reported to the County Treasurer or appropriate state or federal agencies. As this office employs a full-time Recorder, a full-time Deputy and a part-time Recording clerk, I feel we have accomplished a segregation of duties to the best of our ability.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

II-B-06 Nontimely Deposits

Comment – We noted some receipts that were not deposited timely in the Sheriff's office.

Recommendation – All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum, if daily deposits are not possible.

Response – We will make sure that all receipts are deposited timely.

Conclusion – Response accepted.

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

III-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the capital projects function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required in the future.

Conclusion – Response accepted.

III-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

KEOKUK COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (Continued)

- III-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-D-06 Business Transactions – No business transactions between the County and County officials or employees were noted.
- III-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- III-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investments policy were noted.
- III-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- III-I-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted

